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BY THE U.S. GENERAL ACCOUNTING OFFICE

## Report To The Administrator, Agency For International Development

ORIGINAL

# Review Of Inspector General Functions In Agency For International Development

COMPLETED

AID's Inspector General faces serious problems in carrying out his responsibilities for auditing and investigating AID's worldwide programs and projects. Some of these problems are:

--Insufficient and declining number of professional staff.

--Severe cutbacks in travel funds.

--Resistance by the Department of State in locating AID audit and investigative staff closer to the scene of development projects.

GAO also found that (1) the Inspector General's audit function needs to be reemphasized and communicated to the agency and improved, (2) the Investigative and Inspection function is in need of better staff resource management, and (3) improvements should be made in the management of the Inspector General's overseas physical security program.

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59

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-203689

The Honorable M. Peter McPherson
Administrator, Agency for
International Development

Dear Mr. McPherson:

This report discusses the impediments and management problems facing the Inspector General in carrying out his functions of auditing, investigating, and providing security for the Agency.

The review was made as part of our continuing followup of the effectiveness of the administration's announced intention of strengthening the Offices of the Inspectors General Government-wide.

This emphasis by the administration has been applauded in the Congress, as it follows the Congress' initiatives strengthening the Inspectors General.

This report contains recommendations to you on pages 8, 18, 29, 35, and 43. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; and appropriate congressional committees.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

B

U.S. GENERAL ACCOUNTING OFFICE REPORT TO ADMINISTRATOR OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

REVIEW OF INSPECTOR GENERAL FUNCTIONS IN AGENCY FOR INTERNATIONAL DEVELOPMENT

## D I G E S T

The Agency for International Development's (AID's) Inspector General is severely handicapped in carrying out his auditing and investigating responsibilities for worldwide programs and projects as well as having problems providing adequate security at AID missions and employee residences overseas. Some of these problems which are outside his control and depend on actions of the AID Administrator and the Secretary of State, include:

--Insufficient and declining number of professional staff.

--Severe cutbacks in travel funds.

--Resistance by State Department officials which hampers the Inspector General (IG) from locating overseas closer to the scene of development projects. (See p. 3.)

--Deficiencies in the security program in need of management attention. (See p. 37)

Other problems include the need to (1) reemphasize and communicate the role of audit in AID, (2) deal with staff concerns, (3) improve technical audit procedures, and (4) develop criteria to improve the use of investigative resources. (See pp. 11 to 36.)

## PROBLEMS OUTSIDE THE IG'S CONTROL

The IG's staff and travel resources and ability to locate overseas has been insufficient to cover all AID programs and activities. Consequently, many highly vulnerable AID programs are not audited in depth or remain unaudited. GAO found that:

--IG professional staff is declining, but the AID program size is not. In fiscal year 1968 AID had a total audit staff, including foreign nationals, of 530 to cover a program funded at about $3.5 billion. At that time, we reported that AID's audit capabilities were inadequate. By fiscal year 1978 the audit staff had been

cut back to about 127, but the program remained at about $3.5 billion. (See p. 4.) The continuing reduction of audit staff--from 127 to 90, or the loss of 37 positions from 1978 to 1981--places a severe burden on the IG's ability to provide reasonable audit coverage of AID's domestic and overseas programs. (See pp. 5.)

--Travel fund cuts have delayed audits. Because of travel fund cuts, high-priority audits and investigations are postponed or delayed and requests for audits from mission directors are not performed. (See p. 5.)

--The IG is not able to locate staff overseas efficiently. Department of State officials resist the IG's attempts to locate and distribute his small professional staff efficiently at overseas locations. Consequently, the IG was unable to (1) establish an audit/investigative office in West Africa for more than 4 years, or (2) expand his staff if he saw a need at authorized overseas locations even if this results in the inefficient use of staff and the use of undesirable overseas locations. (See p. 6.)

--Security at the missions and employee residences is sometimes compromised because (1) the Regional Security Officers do not always provide all the services the Department of State has agreed to provide AID and (2) AID-procured security equipment is not controlled properly overseas. (See p. 37.)

## IMPROVEMENTS NEEDED IN AUDITING AND INVESTIGATIONS AND INSPECTIONS

To improve the efficiency and effectiveness of the IG's audit function, AID needs to reemphasize and communicate its audit function's role and appoint a qualified and experienced audit professional as Assistant Inspector General for Audits. This would provide central focus and professional audit direction to the professional staff and also better deal with their real or perceived concerns. (See p. 11.)

GAO found that:

--Opinions of mission management concerning the audit function range from passive acceptance to almost bordering on hostility. (See p. 11.)

--Auditors were apprehensive of their approach to the audit function. (See p. 12.)

--There are varied opinions and complaints about a number of real or perceived problems which affect the auditors work, and work environment. (See p. 14.)

--There are several areas in which the auditors did not follow the IG's policies and procedures, which could affect the quality and accuracy of the reports. (See p. 21.)

--A new audit report recommendation followup procedure is operating effectively. (See p. 24.)

--Program managers and mission directors' comments reflected the traditional reluctance of operating personnel to be criticized by the auditors for program shortfalls and project mismanagement. (See p. 27.)

--Investigations and Inspections staff resources have not been managed to focus investigations on areas in which AID program funds are concentrated and most vulnerable to fraud and misuse.

--Management weaknesses uncovered during investigations are not always summarized and communicated to AID management. (See p. 31.)

RECOMMENDATIONS TO THE AID ADMINISTRATOR

GAO recommends that the AID Administrator:

--Should reevaluate the total resources of the Agency and determine what additional staffing and travel funds can be allocated to the IG to properly perform his audit and investigative functions.

--Allow the IG to efficiently locate his staff overseas given the fact that the AID/IG func-

tion is not subject to the MODE overseas ceilings. (See p. 8.)

--Support the IG when he identifies management problems in the implementation phase of projects and communicate to mission directors and program and project managers his concern that they take the IG recommendations more seriously. (See p. 30.)

--Ensure that AID security policy is followed. To reemphasize its importance, AID should issue security policy directives to the IG and to the mission directors instructing that:

  --All AID security officers take their role more seriously and be aware of their responsibilities.

  --Security risk categories assigned to each mission by the State Department are being supported by the AID mission director.

  --The professional advice of AID's Office of Security and that of the Regional Security Officers is heeded.

  --Security enhancement equipment delivered to AID missions is installed and used, and its status be reported to the Office of Security on a regular basis. (See p. 43.)

RECOMMENDATION TO THE ADMINISTRATOR AND INSPECTOR GENERAL, AID

GAO recommends that:

--The AID Administrator, together with the IG, reemphasize and communicate the role of the audit function in AID so as to gain wider acceptance and more efficient and effective operations. (See p. 18.)

RECOMMENDATION TO THE INSPECTOR GENERAL, AID

GAO recommends that the AID Inspector General:

--Appoint a qualified and experienced audit professional as the Assistant Inspector General for Audits, to provide central focus for the audit function and better direction and guidance to the audit staff. (See p. 18.)

--Instruct the Regional IGs to follow the Audit Policy Handbook and hold them accountable for doing so.

--Identify and consolidate recurring management problems based on his open recommendation data and plan and perform functional worldwide audits aimed at changing management policy toward solving recurring problems. (See p. 29.)

GAO recommends that the Inspector General direct the Assistant Inspector General for Investigations and Inspections to:

--Record hours spent per case by each investigator for each biweekly pay period. Periodic analysis can be made of time spent per case compared with the results of these cases in directing staff time toward areas of greater importance.

--Develop criteria to be used in the monthly review of open investigative cases.

--Communicate to AID management the conclusions and recommendations developed from case work that may be likely to improve AID management. (See p. 36.)

## AGENCY COMMENTS

This report was sent to the Agency for International Development and Department of State for comment. The issues identified were discussed with responsible Agency officals and their comments are reflected in the raport. The Inspector General agreed with most of the report's conclusions and recommendations. Department of State officials disagreed with the conclusion that they have resisted the Inspector General's attempts to locate staff overseas.

# Contents


| | | Page |
|---|---|---|
| DIGEST | | i |
| CHAPTER | | |
| 1 | INTRODUCTION | 1 |
| | Objectives, scope, and methodology | 2 |
| 2 | EXTERNAL IMPEDIMENTS TO AID's INSPECTOR GENERAL PERFORMING HIS FUNCTIONS | 3 |
| | Insufficient number of professional staff | 4 |
| | Cutback in travel funds | 5 |
| | State resists IG overseas offices | 6 |
| | Overseas locations | 6 |
| | Conclusion | 8 |
| | Recommendations | 8 |
| | Agency comments and our analysis | 9 |
| 3 | AUDIT FUNCTION IMPROVEMENTS NEEDED IN AID | 11 |
| | Mission management needs and expectations | 11 |
| | Need for Assistant Inspector General for Audit | 12 |
| | Training | 13 |
| | Evaluating reports | 13 |
| | Need to deal with professional staff concerns | 14 |
| | Travel | 14 |
| | Promotions | 15 |
| | Career advancement | 15 |
| | Communications | 16 |
| | Conclusion | 17 |
| | Recommendations | 18 |
| | Agency comments and our analysis | 18 |
| 4 | TECHNICAL AUDIT PROCEDURES NEED IMPROVEMENT | 21 |
| | Audit procedures not followed | 21 |
| | Survey decision papers lacking | 21 |
| | Audit programs and workpapers need improvement | 22 |
| | Referencing incomplete | 22 |
| | Followup of open recommendations | 23 |
| | Repetitive management problems unsolved | 24 |

| | | Page |
|---|---|---|
| | Mission views of IG audit reports and recommendations | 27 |
| | Mission official's opinions | 27 |
| | Auditors' opinions concerning project managers | 28 |
| | Conclusions | 29 |
| | Recommendations | 29 |
| | Agency comments and our analysis | 30 |
| 5 | OFFICE OF INVESTIGATIONS AND INSPECTIONS | 31 |
| | Investigative staff resources in need of better management | 31 |
| | Better communication needed of "lessons learned" to AID operating management | 34 |
| | Conclusions | 35 |
| | Recommendations | 35 |
| | Agency comments and our analysis | 36 |
| 6 | OFFICE OF SECURITY | 37 |
| | IG/SEC responsibilities | 37 |
| | Provisisons of State/AID agreement not always fulfilled | 38 |
| | Inadequate security education for AID security officers | 38 |
| | Building security survey long overdue | 39 |
| | Evacuation plans not tested | 40 |
| | Administrator should direct missions to regard security seriously | 40 |
| | Security low priority | 40 |
| | Security responsibilities need better definition and dissemination | 41 |
| | Limited assurance that security equipment is installed | 41 |
| | Conclusions | 42 |
| | Recommendations | 43 |
| | Agency comments and our analysis | 43 |
| APPENDIX | | |
| I | Inspector General Organization Chart | 45 |
| II | The Department of State - AID Overseas Security Agreement | 46 |

## ABBREVIATIONS

| | |
|---|---|
| AID | Agency for International Development |
| AIG/II | Assistant Inspector General for Investigations and Inspections |
| AIG/SEC | Assistant Inspector General for Security |
| CRS | Catholic Relief Services |
| GAO | General Accounting Office |
| IG | Inspector General |
| MODE | Monitoring Overseas Direct Employment |
| OFDA | Office of Foreign Disaster Assistance |
| OMB | Office of Management and Budget |
| RSO | Regional Security Officer |

## CHAPTER 1

## INTRODUCTION

The Agency for International Development's (AID's) internal audit function was last reviewed by us in 1969. On the basis of our recommendations in that review, AID's Office of Auditor General was established and specifically provided for by law in the Foreign Assistance Act of 1961, as amended.

Public Law 96-533, the International Security and Development Cooperation Act of 1980, was enacted December 16, 1980, establishing the AID Office of Inspector General (IG) in lieu of the Office of Auditor General. This law gave the IG most of the authority provided to other inspector generals under the Inspector General Act of 1978, including subpoena power, except that he was appointed by the Administrator. This law also exempted the AID IG from overseas personnel ceilings, established under the Department of State's Monitoring Overseas Direct Employment (MODE) policy, for maintaining a low U.S. profile abroad.

Public Law 97-113, the International Security and Development Cooperation Act of 1981, enacted December 29, 1981, amends the Inspector General Act of 1978 to include the AID Inspector General. The Inspector General Act of 1978 requires, among other things, that: (1) all Inspectors General be appointed by the President; and (2) the Inspector General appoint an Assistant Inspector General for Auditing. Additionally the amendment, P.L. 97-133 specifically states that AID is exempt from the Department of State's MODE personnel ceilings. As stated above, P.L. 96-533 also makes this a requirement.

The AID IG is responsible for auditing and investigating the efficiency, effectiveness, and integrity of AID's operations; personnel and physical security programs; and for coordinating its audit, investigative, and security functions with those of other agencies. The IG's work encompasses:

--Project assistance programs with obligations in excess of $10 billion, consisting of approximately 1,900 active projects in more than 70 countries.

--A commodity import program amounting to $200 million annually.

--A portfolio of housing loan guarantees valued at over $1 billion.

--Approximately 6,000 participants in AID-sponsored training programs.

--A Public Law 480 food program amounting to $1.5 billion annually. 1/

The IG organization structure is shown in appendix I.

As of July 31, 1981, the IG had a staff of 161, including support staff. The fiscal year 1980 budget was $10,673,000 and for fiscal year 1981 it was $10,962,000. In fiscal year 1980 the staff produced 196 audit reports and closed 120 investigative cases. In fiscal year 1981, 219 audits were completed and 174 investigative cases were closed.

## OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed and evaluated the organization and functions of the AID Inspector General, which included auditing, investigations, and security, to identify any impediments in carrying out his responsibilities. Our review was made in accordance with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

We made the review in Washington, D.C., and overseas. In Washington we discussed each function with AID and IG officials. We analyzed and evaluated documents, reports, and statistics from the planning phase to end results. We interviewed auditors and investigators to obtain their views of the operation. Overseas, we visited regional offices in Manila, Cairo, Nairobi, and Panama City, where we performed similar work. We also visited AID missions in the Philippines, Indonesia, Thailand, Egypt, Kenya, Tunisia, Tanzania, Panama, Haiti, Costa Rica, Guatemala, and Honduras, where we obtained the views of mission directors and program and project managers on the adequacy and quality of the services of auditing, investigations, and security provided by the Inspector General.

This report was sent to the Agency for International Development and Department of State for comment. The issues identified were discussed with responsible Agency officials and their comments are reflected in this report.

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1/Public Law 83-480, enacted July 10, 1954, Agriculture Trade Development and Assistance Act of 1954, as amended; 7 U.S.C. B1691.

## CHAPTER 2

## EXTERNAL IMPEDIMENTS TO AID'S INSPECTOR GENERAL PERFORMING HIS FUNCTIONS

The AID Inspector General faces serious impediments in carrying out his responsibilities for auditing and investigating AID's worldwide programs and projects. These impediments, which are outside his control and depend on actions of the AID Administrator and the Secretary of State, include:

--Insufficient and declining number of professional staff.

--Severe cutbacks in travel funds.

--Resistance by State Department officials, which hampers the IG from locating overseas closer to the scene of development projects.

AID's development programs and projects are carried out at overseas locations in environments where indigenous people with skills and training are scarce. Inefficiency, waste, fraud, and corruption are often prevalent, making adequate audit coverage essential to the integrity of the program. AID's high-risk environment and the difficulty of the IG's audit and investigative tasks have been significantly affected by its "New Directions" mandate for programs with many smaller projects more difficult to audit.

President Carter, in a memo dated December 13, 1978, required the heads of each agency to develop a comprehensive plan to eliminate waste, fraud, and errors in Government programs. The plan was to show (1) how the audit and investigative resources were to be used and (2) the capability of the IG to prevent waste, fraud, and errors in programs and activities, which were deemed to be most vulnerable.

AID stated in its reply to this memo that it works in a high-risk environment with a high level of vulnerability to fraud, waste, and inefficiency and that the overseas work is done

--largely by contractors, grantees, and loan recipients;

--in countries seriously short of indigenous people with management and technical skills in both public and private sectors;

--in diverse cultures, some of which are plagued by public and private corruption; and

--in countries with serious logistic and infrastructure deficiencies.

The Administrator stressed that there are several potentially serious gaps in AID's oversight and that the number of professional staff is inadequate, given the high degree of potential risks. For example, in the key area of contract grants, during fiscal years 1976 to 1978 AID's Washington Contract Office averaged 664 new contract grants a year, but only 25 of these were audited in conformance with the standards established by Office of Management and Budget (OMB) Circular A-73. This Circular directs executive agencies and departments to follow audit standards set forth in Standards for Audit of Government Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States.

In 1979, the IG estimated that an additional 86 auditors and 16 investigators would be required to properly audit and investigate AID's 70 country programs. Our Directory of Federal Audit and Inspector General Organizations study dated April 1980 showed that, expressed in numbers of auditors for each $100-million fund, AID's ratio of auditors to programs was 2.7. When compared with other Government programs, AID's ratio was lower than the average ratio of 4.9 for all Government agencies. The other foreign affairs agencies--ACTION and the Department of State--had ratios of 4.1 and 7.6, respectively. For fiscal year 1982, we estimate AID's ratio is likely to be a low of 1.5.

## INSUFFICIENT NUMBER OF PROFESSIONAL STAFF

The Inspector General's professional staff is currently insufficient to cover all AID programs and activities. Consequently, many highly vulnerable AID programs are not audited in depth or remain unaudited.

In fiscal year 1968, AID had a total audit staff of 530, including foreign nationals, to cover a program size of about $3.5 billion. At that time we reported that AID's audit capabilities were inadequate. By fiscal year 1978, the audit staff had been cut back to about 127, but the program size remained at about $3.5 billion. At the end of fiscal year 1978, the IG audit and investigative responsibility encompassed over $12.5 billion in U.S. assets and resources. As part of AID's overall reduction in personnel, the Office of the Administrator continued to reduce the size of the IG professional audit staff.

Starting with a low base, pointed out in our previous studies, the IG, in 1980, encountered a freeze on hiring to fill vacancies. These vacancies resulted from resignations and retirements, forcing

the IG to accept a new, lowered authorized ceiling in fiscal year 1981, limited to onboard personnel. Authorized strengths between 1978 and 1981 are shown below.

| | Sept. 30, 1978 | Sept. 30, 1979 | Sept. 30, 1980 | Sept. 30, 1981 |
|---|---|---|---|---|
| Auditors | 127 | 114 | 111 | 90 |
| Investigators | 37 | 26 | 27 | 26 |

Because of the 1981 hiring freeze, vacancies for professional staff were not filled. The constant reduction of audit staff--from 127 to 90, or the loss of 37 positions from 1978 to 1981--places a severe burden on the IG's ability to provide reasonable audit coverage of AID's domestic and overseas programs.

## CUTBACK IN TRAVEL FUNDS

The audit and investigative functions of an agency with worldwide programs cannot operate without travel funds. Because of travel fund cuts, high-priority audits and investigations are postponed or delayed and mission directors' requests for audits are not performed.

The IG's operational travel budget for fiscal year 1980 was decreased 39 percent to $747,000 from fiscal year 1979's $1.2 million. Thus, the audit plan was curtailed in Washington and overseas, supervisory visits were eliminated, and investigations were delayed or canceled. For example:

--Seven high-priority audits were deferred or canceled by the Washington Regional Office.

--One mission director in Africa requested and was denied an audit. He was highly concerned because of possible double funding for service by a private voluntary organization, propriety and reasonableness of a contract technician, questionable offshore procurement activities, and adequacy of internal management procedures.

--Another mission director said that if funds continue to be unavailable for such auditing services, it would leave the mission without the means to make judgments that allows it to introduce economies into the system. At a time when the missions are trying to improve the effectiveness of the program, the audit function should be used more rather than less.

--Still another mission director in Africa complained that the lack of timely auditing assistance is a severe impediment in dealing effectively with financial problems in projects. As recently as 4 or 5 years ago, auditors scheduled regular visits to missions during which they conducted lengthy reviews of projects. He thought these regular visits were necessary to help identify the financial problems.

Consequently, the IG functions, both audit and investigative, have been seriously degraded by the lack of sufficient operational travel funds. Audits and investigations have been sharply curtailed.

## STATE RESISTS IG OVERSEAS OFFICES

Department of State officials resist the IG's attempts to locate and distribute his small professional staff efficiently at overseas locations. Consequently, the IG must contend with such handicaps as being unable to establish an audit/investigative office in West Africa for more than 4 years, or to expand his staff if he sees a need at currently authorized State Department overseas locations. He has been forced to (1) limit his audit/investigative activities to a single country, even if this results in the inefficient use of staff and (2) use undesirable overseas locations.

Good oversight management requires that the limited IG professional staff be located and distributed overseas in such a way as to obtain the maximum performance benefits from the staff and be able to shift locations and expand or contract the size of the staff as the need requires. Currently, the IG is unable to do this.

### Overseas locations

Over the last 4 years, the IG negotiated with Department of State officials to obtain a West African office location from which to carry out audits and investigations of AID programs in those countries. During this time period Public Law 96-533 was enacted on December 16, 1980, and stated that the Administrator of AID, should not be bound by overseas personnel ceilings established under the MODE policy. Despite this authority to assign IG personnel without regard to MODE ceilings, the protracted negotiations involving the Near East and West African offices indicate the Department of State is restricting the stationing of IG personnel.

In February 1977, the AID IG West African office in Accra, Ghana, was ordered closed. State cited difficult conditions as

the reason. Between February 1977 and January 1978, the IG made a number of attempts to reopen a West African office and in July 1978, set up a temporary audit office for West Africa but operating from Washington. However, this temporary office was closed in August 1979 because it was ineffective and created morale problems with the staff.

In March 1980, State/AID/OMB established a group to study the AID overseas audit structure. During the following 4-month period there were strong concerns in the Congress about the need for an AID audit/investigative office in West Africa.

In June 1980, the study group recommended that a regional office be opened in West Africa and that the Karachi office be relocated because it became a security risk due to the mob burning of the U.S. Embassy in Pakistan. State and OMB officials testified before the House Government Operations Committee and assured the Committee of their support and prompt execution of this joint recommendation.

However, another 6 months passed (to January 1981), before the Under Secretary of State ordered the Africa and Near East Bureaus to provide AID with a regional office in Kinshasa, and to relocate the Karachi office to New Delhi. AID turned down Kinshasa because of security problems there and recommended Abidjan, Dakar, or a Moroccan location. New Delhi, however, was acceptable.

Within weeks, the Ambassador in India resisted locating the IG staff in New Delhi, despite the Under Secretary of State for Management's order to take necessary steps to put the decision into effect. The IG could no longer delay having staff located in the Near East, so he began to restaff the recently evacuated Karachi office, although it is still a high-risk security location. He believes New Delhi is by far the best location for this office.

In early 1981, the IG obtained clearance to locate the West African office in Abidjan, after 4 years of serious and protracted effort. However, the State Department is limiting the size of the IG's audit and investigative staff to seven professionals at this location and, as of September 30, 1981, only one IG auditor was in Abidjan. The regional office in Abidjan covers all AID projects in about 20 countries. In our opinion, State has severely limited the IG in West Africa. If the IG continues to use the project-oriented basis to audit approximately 300 active projects in the region on a 3-year cycle basis, then it would require a staff of at least 50.

Further resistance to the IG function is indicated by our discussions with officials in Cairo and Nairobi. We were told that,

the main reason the Cairo regional office is limited to auditing AID/Egypt is because the previous U.S. Ambassador refused to permit the AID IG to establish a regional office or assign staff there which did not directly relate to or benefit programs in Egypt. Therefore, auditors and investigators from Cairo could not audit any AID programs in nearby countries such as Jordan, Sudan, and the northern tier of African countries. This policy has been continued under the present Ambassador to Egypt.

In Nairobi, the current Ambassador told us that it was his predecessor who turned down the additional slot for an AID investigator, thus forcing the AID IG to give up one of his scarce audit slots to get a position for an investigator there. This one investigator is required to perform the impossible task of covering AID's program in 20 East and North African countries.

The Ambassador believes that the IG should not expand in Nairobi. Further, when the Ambassador was approached to expand seven positions in Nairobi because Karachi was evacuated after the mob action in Islamabad, Pakistan, and the office temporarily closed, the Ambassador said it did not make sense because the auditors would not be serving Kenya, and refused to raise staff levels.

## CONCLUSION

The AID IG is severely handicapped in carrying out his auditing and investigating responsibilities because of:

--A very tight professional staff ceiling. The IG started with a low base of professional auditors and investigators, followed by attrition due to retirement and resignation, then a hiring freeze and finally a new lower staff ceiling.

--Drastic cuts in travel funds. These funds are essential to performing worldwide audits and investigations.

--Lack of cooperation by State officials in locating overseas regional offices.

## RECOMMENDATIONS

We recommend that the AID Administrator:

--Should reevaluate the total resources of the Agency and determine what additional staffing and travel funds can be allocated to the IG

to properly perform his audit and investigative functions.

--Allow the IG to efficiently locate his staff overseas given the fact that the AID/IG function is not subject to the MODE overseas ceilings. (See p. 8.)

## AGENCY COMMENTS AND OUR ANALYSIS

The Inspector General agreed with our findings and conclusion concerning the professional staff shortage, travel fund cuts, and the difficulty encountered in obtaining overseas locations for his staff.

He believes that our recommendation to the Administrator to increase the IG staff is not viable because the Administrator is given a personnel ceiling for the entire Agency and must then allocate the personnel to all Agency components. The IG believes that the Administrator allocates personnel as fairly as he can, depending on what the Administrator believes are his highest priorities in the Agency. The IG suggested that our recommendations should thus be redirected and/or refocused.

If the Administrator believes that a strong and capable IG function is a valuable management tool in the Agency operation and supports it with a high priority concerning the resources available to the Agency, then we believe he should determine what additional resources can be allocated to the IG function.

Department of State Officials disagreed with our conclusion that there is a lack of cooperation and that State officials resisted the IG's attempts to locate and distribute his staff overseas. State officials said that the basic problem which delayed resolution of the issue was how to reconcile the foreign policy judgment of the Chief of Mission with AID's desire for locations satisfactory to AID auditors and their families.

Cooperation between Department of State officials and the AID/IG, at best, is a reluctant cooperation and resistance still exists. The record shows that from February 1977 to early 1981, the IG tried to negotiate with the Department for a West African office location to audit and investigate increasing AID activities in the region. The negotiation lasted for almost 4 years, after which the IG was allotted 7 positions in Abidjan.

As a further indication of State Department delays and resistance, a high-level OMB/State study team recommended, in June 1980,

that the IG office in Karachi be relocated because of security problems. Six months passed (to January 1981) before the Under Secretary of State told the Department's Near East Bureau to let the AID/IG establish a new location for the Karachi office in New Delhi, India.

In the IG report to the Administrator in February 1982, the IG reported that he regrets there has still been no progress in IG relocating the Karachi office. In January 1981, the Department of State designated New Delhi as the new office location. However, that designation was withdrawn shortly after it was made, and no further alternatives have been offered. The IG said that New Delhi offers far superior proximity and access to AID workload in that region of the world, and greater efficiency in the use of the IG staff. Thus, over a year has elapsed over the negotiation for relocating the Karachi office to New Delhi.

Further, P.L. 96-533 (enacted Dec. 16, 1980) excludes the AID/IG from being bound by State's MODE ceilings overseas. State officials appear to ignore or place their own interpretation on the meaning of the law which specifically exempts the IG from MODE ceilings.

## CHAPTER 3

## AUDIT FUNCTION IMPROVEMENTS NEEDED IN AID

To improve the efficiency and effectiveness of the IG's audit function, AID needs to (1) reemphasize and communicate the audit role in AID and (2) appoint a qualified and experienced audit professional as Assistant Inspector General for Audits to provide a central focus and professional audit direction and guidance to the audit staff to better deal with their real or perceived concerns.

### MISSION MANAGEMENT NEEDS AND EXPECTATIONS

Opinions of mission management concerning the audit function range from passive acceptance to almost bordering on hostility. Mission directors we spoke with expressed their opinions as follows.

--Kenya. If the AID IG is supposed to be an internal auditor, then he should be part of the basic management. However, his operations have been directed toward oversight and problem reporting rather than toward assisting management to identify and oversee problems. The Regional IG is not responsive to the mission needs. The mission director would like auditors to (1) survey programs and identify problems and (2) perform an audit on the mission's behalf.

--Philippines. AID audits should primarily serve as a management tool and protect U.S. funds. Auditors should do more program audits rather than project audits.

--Tanzania. The IG audits should be an internal operation for the mission. The mission hesitates to request audits because there is uncertainty whether or not the auditors can be responsive in a timely manner.

--Tunisia. Audit should assist management. Currently, the IG audits do not assist management and the usefulness of audit reports is "marginal." The auditors are an "expensive flagging system" for the Administrator.

--Indonesia. The old system of residences was useful because auditors performed financial audits and "bird-dogged" projects.

--Thailand. AID audits should respond to mission needs whenever the mission perceives a possible problem.

We also found that the auditors were apprehensive of their approach to the audit function. For example, in Cairo, mission personnel reported that the auditors operate in an adversary role; but auditors believe that they report to, and work directly for, the Administrator and not the mission director. In Nairobi, the auditors reported that their dealings with the AID missions are definitely an adversary relationship. One auditor characterized the approach as "go out there and get them." In Manila, we were told auditors were being tolerated by the missions but not always welcome.

Therefore, views and acceptance of the audit function vary between the auditors and the mission management. However, we believe if the Administrator and the Inspector General were to reemphasize how the audit function will serve Agency needs, and then communicate this to the operating and mission staff, then the audit function would be given wider acceptance and operate more effectively and efficiently.

## NEED FOR ASSISTANT INSPECTOR GENERAL FOR AUDIT

Although auditors make up about 78 percent of the IG's professional staff, and the audit function is a deterrent to waste, fraud, and inefficiency for AID, the Office of the IG lacks a qualified and experienced audit professional as the Assistant Inspector General for Audits to provide central audit focus and direction.

The Inspector General Act of 1978, as amended by P.L. 97-113 enacted December 29, 1981, to include AID, requires the AID Inspector General to appoint an Assistant Inspector General for Auditing. We believe this action should help improve the overall effectiveness of the AID IG's audit function.

There are seven separate regional inspectors general offices of varying size. Each office decides how audits should be executed, evaluates and issues reports, and deals with mission staff overseas. These offices are not comparable in size or responsibility, yet all are on the same level. For example, as of May 31, 1981, Washington regional office had 42 auditors on its staff, Panama 1/ 10, Karachi 8, Cairo 8, Nairobi 10, Manila 7, and Abidjan 1. 2/ We believe that a professional Assistant Inspector General for Audits would enhance and provide better guidance and direction to

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1/Panama office was moved to Washington on July 1, 1981.
2/Abidjan was opened in September 1981.

the audit staff concerning those areas which directly affect their work, including (1) developing, directing, and enforcing audit policy; (2) researching and planning the most significant work program; (3) assessing audit work outputs and quality; (4) evaluating products; and (5) overseeing training.

Training

We noticed some unevenness with respect to the audit programs, quality of recommendations, report language, referencing, etc., which indicated a need for additional training for the auditors to obtain more uniformity and standardization of the audit reports.

The IG had made a concerted effort to hire qualified, experienced auditors. Although the auditors are experienced, their backgrounds are diverse. For example, in Cairo, there were auditors formerly from GAO, Air Force Audit, and the Department of Agriculture. In Nairobi the staff included two attorney/Certified Public Accountants, a Master of Public Accounting/Master of Business Administration, a former Defense contract auditor, and a former GAO auditor. With such a diversity of backgrounds, a well thought-out inhouse training program could increase the cohesion of the audit staff and improve report quality and consistency.

Evaluating reports

Auditors' reports are used to improve management; therefore, they are concerned about their products' effectiveness. The diversity of opinions about an audit report can be shown by a report we reviewed in Manila. For example, the auditor prepared a report on a seed development project in Thailand which was approved and issued by the Regional IG. The eight AID technical staff involved with the project had expressed mixed, but mostly negative, opinions about the report. In Washington, the report was criticized by the IG Office of Policy, Plans and Programs as (1) being unorganized, (2) not saying the project is failing, and (3) not having an overall conclusion and recommendation on what should be done with the project. The IG expressed disappointment over the audit report.

However, we found the report served a useful purpose. Subsequent to the audit report, the project was redesigned in February 1980 as the auditor recommended. The project officer admitted that, in his 25 years of agricultural research, this project became the most successful seed project in AID. The technical advisor also called this project the most successful of about 20 AID seed projects he has seen since 1966. Therefore, while highly qualified people expressed varying opinions about the audit, a recommendation made by the auditor facilitated a turnaround of the project which, in effect, helped AID management do a more efficient and effective job.

In another report we reviewed in Panama, top IG management was highly critical of the auditors and their report on the Honduras Development Bank. However, about 4 months later, when the impact of the audit work and report produced significant positive AID management results, top management completely revised its opinion and praised the audit and report work. In our opinion, this type of turnabout in report evaluation is demoralizing to the audit staff and produces only cynicism among the professional staff.

## NEED TO DEAL WITH PROFESSIONAL STAFF CONCERNS

We interviewed 52 auditors or about 50 percent, of the professional audit staff, who expressed varied opinions and complaints about a number of problems which affect their work and the work environment. The subjects discussed included personnel, audit approaches, mission cooperation or the lack of it, travel, overseas locations, promotions, career advancement, GS-FS personnel mixing, training needs, overseas family security and social needs, and communication between the professional staff and management.

Some of the complaints are real and others we believe, are imagined. However, the main problems concerned excessive travel, lack of promotions, career advancement, and the lack of reasonable communication between management and operating staff.

### Travel

Auditors complained that they are required to travel excessively. This is not borne out by the record. New recruits are told they may be required to travel 40 to 50 percent of their time to review and evaluate documents and discuss programs and projects with managers. This is especially true when auditing AID worldwide programs.

For the third quarter in fiscal year 1979, the AID audit staff estimated overall travel time at about 30 to 40 percent as shown below:

| Area | Average travel time (percent) |
|---|---|
| East Africa | 31.6 |
| East Asia | 30.1 |
| Near East | 44.3 |
| Latin America | 40.3 |

We examined travel vouchers and time records for the East Asian office in Manila as a further test of auditors' time spent

in travel in calendar year 1980 and for those auditors on board for more than 7 months in calendar year 1980. The travel was 28 to 44 percent, as shown below.

| Field auditor | Travel location and days: Thailand | Indonesia | Other | Total | Direct days | Travel time (percent) |
|---|---|---|---|---|---|---|
| A | | | | 0 | 40 | 0 |
| B | 16 | 0 | 57 | 73 | 211 | 35 |
| C | 0 | 39 | 0 | 39 | 192 | 20 |
| D | 22 | 65 | 0 | 87 | 309 | 28 |
| E | 0 | 100 | 41 | 141 | 336 | 42 |
| F | 19 | 106 | 0 | 125 | 282 | 44 |
| G | 38 | 55 | 13 | 106 | 311 | 34 |
| H | 0 | 37 | 0 | 37 | 153 | 24 |
| I | 6 | 5 | 0 | 11 | 112 | 10 |
| J | | | | 0 | 24 | 0 |

In our opinion this travel does not seem unreasonable, and since it is a vital part of the job requirement, travel should be accepted.

## Promotions

Most auditors we spoke with were concerned over the potential conflict between their duties as auditors and the current promotion system in AID. Auditors, like all AID personnel, are considered for promotion by panels made up of senior AID officials. Currently, any auditor may be placed in the position of having to audit AID programs and criticize project managers who may later serve on a panel evaluating the auditor's overall performance and potential for promotion. It is possible that because of this, a bias may exist at times, although we were unable to find examples or evidence of such bias.

The current IG recognized the problem and had arranged with the previous AID Administrator for a separate promotion board for AID auditors. However, the senior IG auditors at headquarters, fearful that the IG would have too much authority in naming panelists who could be swayed by his interest, asked the Administrator not to change the promotion system. The Administrator concluded that the auditors did not want a separate promotion panel and disapproved it.

## Career advancement

Auditors' expectations regarding career advancement within the AID audit function are high and may be unrealistic. In our interviews with AID auditors, one of their recurring major con-

cerns was that there are highly qualified, experienced, and well-paid auditors who have nothing to manage and no one to supervise. The audit staff is comparatively small, about 90 auditors, scattered in small groups in Washington, D.C., and five worldwide locations.

Generally, AID hires experienced audit professionals and has a very limited trainee program. There is limited opportunity for advancement to supervisory positions. The auditors are hired to perform a skilled technical function and work mainly with one or two staff members. Salary data and staff as of May 31, 1981, are shown below.

| Regional office | Number of American auditors | Number at grade equivalent GS-15 | GS-14 | Number at top salary ($50,113)* |
|---|---|---|---|---|
| Panama | 10 | 5 | 4 | 3 |
| Nairobi | 9 | 4 | 5 | 2 |
| Karachi | 7 | 3 | 3 | 3 |
| Manila | 8 | 4 | 5 | 3 |
| Washington | 42 | 14 | 17 | 7 |
| Cairo | 8 | 4 | 2 | 2 |

*Salary ceiling at the time of our review.

We believe that, because the audit staff is small and personnel slots are tight, it is unrealistic for auditors to expect to supervise others and AID cannot afford the luxury of layering staff just to give a well-paid and qualified professional someone to supervise. For example, in Nairobi, the nine audit professionals consisted of a director, deputy director, two audit managers, and five auditors--in effect, four professional audit personnel supervising five auditors, almost one on one. We consider this unjustified, given the relatively high grades and experience of the audit staff. Each auditor should be able to perform the complete audit function with little supervision.

Communications

The need for better communication between management and the working professional staff is a major concern of the auditors and of some investigators. In Nairobi, our interviews indicated that communication between the Regional IG management and staff was poor. One auditor characterized it as being an open-door policy, but not to differing views. Several auditors reported that they were not apprised of management views and objectives. The lack of communication has led to a detrimental splitting of staff into two distinct groups, which has further contributed to lowering office morale.

When the Latin American Regional Office was located in Panama, staff we interviewed informed us that morale was affected by the

lack of reasonable communications with the Regional IG, who was not always sensitive and responsive to the professional staff needs. The Office was subsequently moved to Washington in July 1981. The current Regional IG appears to be concerned with problems which may affect the work, and has instituted weekly staff meetings to discuss work-related problems.

In Manila over half the professional staff auditors and investigators complained about the lack of communication with the office of the IG in Washington. They cited such things as the reassignments--an assignment consists of two tours of 2-years each. They said an auditor can express preference only once, during a 2-year tour, 10 months prior to the completion of the tour. They told us that this resulted in:

--Three auditors being reassigned to posts that were not on one of their preferred lists with no discussion held prior to the notification of the assignment.

--Auditors not being offered openings at several overseas posts or allowed to select one of the openings.

--No consideration being given to family needs.

At the Washington office, auditors believe that staff subject to reassignment should be consulted so that families can plan for and adjust to transfers. We were told that in past years personnel from the IG's office visited the regions to discuss staffing and auditor assignment preferences. There were no such discussions in 1981, and staff members were surprised by the March assignment cable telling them where they were being reassigned for another 2 to 4 years tour of duty.

Because some overseas posts are more desirable than others, a simple personnel tracking system should be established for assignment purposes to ensure that consideration is given to an auditor or inspector by considering his previous duty post. Such a system could, for example, apply different weights to each duty post based on the hardship involved, and thus make it more likely that an auditor who served in a less-desirable post receive a more attractive post for the next tour.

We believe that the IG, by dealing with the professional staff and its concerns, could gain staff confidence and mold a more effective and constructive attitude toward the AID audit function.

## CONCLUSION

There is a need to reemphasize and communicate the audit role and function in AID. This should identify the primary

clients, types of audits to be performed, and what the mission and program managers should expect from the audits. The appointment of an Assistant Inspector General for Auditing, required by the Inspector General Act of 1978, as amended by P.L. 97-113 enacted December 29, 1981, should help improve the overall management and effectiveness of the AID IG's audit function.

## RECOMMENDATIONS

We recommend that:

--The AID Administrator, together with the IG, reemphasize and communicate the audit role and function in AID. This should identify the primary clients, types of audits to be performed, and what the mission and program managers should expect from the audits.

--The Inspector General appoint a qualified and experienced audit professional as the Assistant Inspector General for Audits to provide central focus for the audit function and give direction and guidance to the audit staff.

## AGENCY COMMENTS AND OUR ANALYSIS

The IG believes that the problem we cited revolves around the mission people not wanting to hear what the IG reports. The mission director and project people represent old mission mind sets. He indicated that the problem was nonacceptance of AID's audit role.

We agree that there may be some nonacceptance of the IG audit role by mission personnel. However, in our interviews and discussion with mission personnel there were indications of confusion and uncertainty regarding the IG audit function. Uncertainty was also indicated in an IG memo of a briefing he made to top African Bureau management in August 1981. In the ensuing question and answer period the top African Bureau management personnel asked the IG if he believes that the missions have an adequate understanding of the IG role. The IG responded: "He hoped so." Bureau management personnel expressed the opinion that they did not think so. They proposed that the IG prepare a videotape explaining his role to all African missions. In summing up the minutes of this meeting between the IG and African Bureau management, the IG staff memo concluded that the impression was, prior to this meeting, most participants had no clear understanding of the IG mission, organization, or procedures. We believe this further demonstrates that even at the top Bureau management level, there is uncertainty and a need to better explain the role of the IG audit function to

mission personnel so that they understand and accept this function as a management tool to improve the Agency operation.

The IG said that subsequent to our exit conference he issued various memorandums to spell out more clearly his philosophy of audit to his staff. This action may be of some help to the auditors in understanding the IG views on what he expects of them.

Regarding the need for central audit focus and direction, the IG disagreed. He believes he does have a central audit focus and related all the actions he initiated, which include:

--Establishing a policy group at headquarters. He believes this group provides focus and audit direction.

--Instituting central audit planning.

--Updating and issuing the audit handbook.

--Initiating auditors' training programs.

--Instituting an IG newsletter to improve communication.

--Recruiting experienced audit personnel.

--Instituting the audit recommendation followup procedures in AID.

We agree that the IG instituted many important and effective audit procedures in the IG function, especially the audit recommendation followup procedure which significantly improved AID's management by requiring them to respond and take action to implement audit recommendations. We believe that not until a qualified and experienced audit professional is appointed as the Assistant Inspector General for Audits will the audit function be enhanced and gain greater acceptance by the IG audit staff.

The IG said that in evaluating reports, he was concerned about the quality, organization, and presentation. Further, he indicated that the audit report quality is not determined by audit results or by the degree of mission acceptance.

We agree that the organization and presentation of report material are important. Also, we believe that audit results are necessary if the audits are to help management perform more effectively and efficiently.

The IG believes that some of our conclusions concerning the need for better communications was based on hearsay to support our conclusion. He cited the comments made by his professional staff

in Manila concerning his reassignment practices and how it affects his staff.

We disagree that the evidence is hearsay. It is direct evidence based on interviews with the professional staff and reports what his staff perceives was unfair. We did not conclude whether it was fair or unfair.

Subsequent to our fieldwork and draft report the IG, in February 1982, attempted to make the assignment notification cable sent out each year to his staff a regular occurrence. This primarily addresses the increase in time for notification, before actual assignment. However, in our opinion, this process still does not involve consultation with the staff as it affects them and their families.

The problems and complaints of staffing and reassignments were not only identified in Manila but also in Panama and Washington. For example, an overseas staff member complained during an interview that although it is his belief the policy is that personnel serve no more than 2 tours (or 4 years) in one overseas location, he was serving his fourth tour (8 years) in the same location overseas although he attempted to get reassigned to another overseas location but was unable to. He believes such practices are grossly unfair.

Another professional, an overseas director, with long experience in AID complained that the IG does not, but needs to consult with his overseas directors more frequently on matters of staffing and assignments. He complained that there is a problem because most of the personnel on the IG assignment staff are political appointees and know little about the professional staff needs and assignments. He emphasized that management needs to, but does not, communicate with its staff on how and why staff assignments, promotions, and selections are made.

Further, during our review the staff brought to our attention that the majority of the professional audit staff in Panama signed a grievance concerning the lack of communications by the IG management staff.

Subsequent to our exit conference, the IG staff still brought to our attention a variety of management problems affecting the staff. These complaints indicate that there still exits a communication gap between the IG management and its professional staff that needs attention to improve the IG staff operation.

## CHAPTER 4

## TECHNICAL AUDIT PROCEDURES NEED IMPROVEMENT

The Inspector General, Regional IGs, and professional auditors need to pay more attention to the technical audit procedures in developing reports. Because the Regional IGs, who manage the auditors, place little emphasis on important elements of the audit process, we found several areas in which the auditors did not follow the IG's policies and procedures, which could affect the quality and accuracy of the reports. In reviewing job files, we found that in some audits, audit programs were not prepared or were prepared haphazardly, and had no statement of audit objectives. Also, go/no-go survey audit decision papers were not prepared. We found support was missing or incomplete, and reports were improperly or incompletely referenced.

During the past several years, the current Inspector General has taken significant steps to improve the capabilities of his professional staff and institute sound auditing and reporting standards. This ranged from recruiting, when possible, experienced audit staff with strong backgrounds in government programs; centralizing audit planning, instituting a recommendation followup system; and issuing an Audit Operating Handbook designed to ensure the quality and adequacy of audit work. This Handbook complies with standards for audit of governmental organizations.

### AUDIT PROCEDURES NOT FOLLOWED

Many of the audit policies and procedures contained in the Audit Handbook are not being met.

#### Survey decision papers lacking

The Handbook requires that an audit survey be conducted at the initial stage of each audit and, at the conclusion of each audit survey, the auditor-in-charge make and document a go/no-go decision about continuing the audit.

During fiscal years 1979 and 1980, the Nairobi Regional Office conducted a total of 20 audits in Kenya, Tanzania, and Tunisia. We looked at six audits in depth, and only one had an audit survey performed before going into a full-fledged audit. Several Regional IG officials told us (1) audit surveys are rarely performed by the Regional IG in Nairobi and (2) once the audit is included in the audit plan and initiated it will continue until its conclusion without a go/no-go decision being made.

In Manila we could not locate some of the go/no-go audit decision papers. Regional management said that these documents are not always prepared because the decision to audit after a survey is made in informal discussions with the auditor-in-charge.

Nevertheless, we believe the go/no-go decision should be documented, along with its justification.

Audit programs and workpapers need improvement

The Handbook states that all audit programs should be tailored for the specific audit and include background information, statement of objectives, and work steps. We found varying degrees of quality in audit programs and workpapers.

In Nairobi, some audit programs consisted merely of a list of handwritten questions to be answered or an unmodified standard audit program. The Handbook states that standard audit programs can be used for guidance but that they are "not an acceptable substitute for tailor-made programs."

In Manila, some of the auditors admitted that survey programs often are not prepared or audit programs are frequently prepared after the fieldwork is completed and that stating the objectives of the audit, doing survey programs, and setting time frames for the work steps are not done.

Another illustration of inconsistencies in the audit work programs was found in Cairo. One audit program consisted of two handwritten pages with no introduction or statement of objectives, while another was over 100 pages in length and extremely detailed.

Most workpapers reviewed were complete and well organized. However, workpapers in some job files were missing or incomplete. For example, some workpapers reviewed in Manila and Washington, D.C., lacked headings, source, and dates and others were not well organized or indexed. In other cases, workpapers consisted of xerox copies of documents and write-ups of interviews, but lacked the summary analyses that would support conclusions and recommendations made in the report.

Referencing incomplete

The Handbook also states that referencing "is required to assure that the contents of a report are supported by sufficient, competent and relevant evidential matter in the workpapers." However, a review of the workpapers and referencing notes indicated that referencing procedures were not followed. In Nairobi, statements of facts were not supported in the workpapers in one report, but were attributed to "audit conclusions." When questioned, the Deputy Regional IG said that some of the statements were based on the auditors' knowledge of the program and not necessarily supported in the workpapers. He said that the referencer often accepts oral support from the auditor. In this instance, however, the referencer did not clear the comments. The Deputy Regional

IG, who drafted the report, signed off on it. In two other issued reports, the draft reports were referenced, but the reports were again not referenced after a substantial rewrite. In both cases, additional details were added to the final report which were not referenced. The audit managers admitted that factual changes and additional information required referencing, but the Regional IG did not require it.

In Cairo, we noticed that not all the audit reports had been subjected to an independent referencing process. The Regional IG admitted that, due to the small size of his staff, report reviews were sometimes carried out informally. He agreed that report quality would be enhanced if the reports were always subjected to a formal referencing process.

According to auditors we interviewed in Panama, reports are issued before being indexed and referenced. This is not a good audit practice. In our opinion, statements of fact in an issued report should be documented and supported before the report is issued.

In Washington, we also found instances where referencing was superficial. For example, one report referencing document consisted of 14 pages of one word--"acceptable"--with no comments or explanation. Subsequent conversations with the referencer indicated he lacked an understanding of the referencing process.

## FOLLOWUP OF OPEN RECOMMENDATIONS

The Inspector General initiated a new audit report recommendation followup procedure on October 1, 1980, and issued the first Semiannual Report on Audit Recommendations on March 31, 1981, covering the first 6 months the procedure had been in operation. This procedure and semiannual report were established to comply with OMB Circular A-73, Audit of Federal Operations and Programs, which requires semiannual reports showing the (1) status of all audit recommendations over 6 months old, (2) number of recommendations or findings resolved, (3) demands for collections owed to the Government, and (4) collections or offsets made.

Our examination of 18 report recommendation followup files closed during the semiannual period ending March 31, 1981, indicated that the report recommendation tracking and followup system is operating effectively. However, in the first 6 months of operation, there was a significant buildup in the number of open recommendations, as shown on the next page.

Number of Recommendations Opened and Closed
October 1, 1980 through March 31, 1981

| | Total | Open over 6 months |
|---|---|---|
| Open recommendations as of 10/1/80 | 372 | 108 |
| New recommendations during period | 401 | 209 |
| Total open during period | 773 | 317 |
| Recommendations closed | 299 | 148 |
| Open recommendations as of 3/31/81 | 474 | 169 |
| Increase of open recommendations during period | 102 (27%) | 61 (56%) |

The IG said that this was probably the result of his applying more stringent standards for closing recommendations. Previously, recommendations were often closed on the basis of management's expressed intentions to take corrective action, whether actions were taken or not. Now they are not closed until evidence is received that recommended corrective action has been taken. We concur with the IG.

Repetitive management problems unsolved

As shown by the growth of the number of recommendations (27%) and those open over 6 months (56%), there is a buildup of paperwork between the IG and the Agency and mission officials concerning open recommendations. This new procedure is still in the shakedown phase, and it remains to be seen whether this initial buildup in open recommendations will continue and become a serious administrative burden. Therefore, we believe care must be taken, to ensure that each recommendation is significant enough to justify the administrative time and expense of tracking it through the system, both overseas and in Washington.

In the recommendation followup files we examined, most recommendations to mission management were directed at problems with host governments and private voluntary organizations. The missions are reluctant to demand, for example, that they refund money to AID when it has been used for other than project purposes or represents duplicate or unsupported billings.

Further, we believe the underlying cause for the buildup of open recommendations, in addition to more stringent requirements for closing them, is that the IG audits and recommendations are

project-oriented and aimed at mission or project directors who (1) are hesitant, to take required action, or (2) are unable to solve the problem identified. Most of the problems involve policy, such as dealing with private voluntary organizations, accounting systems, internal control systems, and use of records in implementing and monitoring and controlling projects and need to be addressed by the Administrator for the entire Agency. For example:

--In an Egypt audit report on P.L. 480, Title II programs, one audit recommendation had been open for 23 months at the time of our review. This report concluded that there had been significant diversions and misuse of Title II commodities in Egypt and recommended that the AID Mission in Egypt in coordination with the Catholic Relief Services (CRS), (1) determine the amount of improperly used P.L. 480 Title II commodities, (2) issue a bill-for-collection to the Government of Egypt for the value of improperly used commodities, and (3) assure that the P.L. 480 Title II assistance to the Maternal Child Health program in the affected district not be reinstated until the proper recoveries were realized pursuant to the above bill-for-collection and the CRS and AID Mission in Egypt were reasonably certain the program would function properly. Nevertheless, 23 months after the audit report had been issued, and after extensive correspondence between AID/ Egypt and AID/ Washington, and between the IG and the Bureau for Private and Development Cooperation in Washington, the recommendation was still open because required information had not yet been received from the Mission.

--In another Near East audit report the single recommendation made had been open for over a year at the time of our review. This report recommended that the Office of Foreign Disaster Assistance (OFDA) recover $46,093 from CRS. OFDA, in its March 25, 1981, position paper, stated that AID should not attempt to recover the $46,093 from CRS because CRS was acting in good faith in a crisis situation. OFDA did not, however, refute any of the audit findings, which stated that:

> "Our audit showed that a total of $49,663 of grant funds were expended by CRS for commodities they either did not receive or failed to distribute. We attributed primary

cause for this excess expenditure to supplier misrepresentation which remained undetected due to a failure by CRS officials to follow adequate procurement procedures and their negligence in failing to monitor commodity deliveries on a weight basis."

--During the audit, CRS did refund $3,570 for plastic sheets found undistributed, leaving a remaining balance of disallowed costs of $46,093 unrecovered.

The audit reports consistently identify the same management weaknesses:

--Poor accounting and management controls by the host government.

--Poor accounting records in the AID Mission.

--Poor project management and lack of oversight of project implementation by AID Mission.

--Poor accounting records and project management practices by the private voluntary organizations.

It is apparent that common recurring management problems are identified at different mission locations, but appear in separate reports. They often appear less serious to AID management because they are not consolidated in any one report. It is easy for mission directors to view each recommendation directed at them as a "special" situation which must be resolved in a way that does not impair U.S. "relations" with host governments or with private-voluntary organizations contracted by AID. Reports focusing on similar recurring management problems would raise their visibility to AID management and, therefore, facilitate timely resolution.

We believe that the IG should identify and consolidate recurring management weaknesses, as indicated by his recommendation followup data. The IG then should plan and perform functional worldwide audits to point out these weaknesses more convincingly to the AID Administrator. For example, a functional review of private-voluntary organizations financial management and reporting practices would point out weaknesses in their accounting records, procedures, internal controls, reporting practices, and adequacy of financial management and personnel.

The report would consolidate these weaknesses, many of which have already been identified in individual audits of AID projects, in order to point out more convincingly to AID management the need to (1) make policy changes to improve the Agency's business manage-

ment overseas and (2) devise ways and means to help the private voluntary agencies improve their financial management practices.

## MISSION VIEWS OF IG AUDIT REPORTS AND RECOMMENDATIONS

Many program managers' and mission directors' comments reflect the traditional reluctance of operating personnel to be criticized by the auditors for program shortfalls and project mismanagement. However, when asked to respond to the usefulness of specific audit recommendations, most managers admitted that the recommendations helped to improve the project or management weaknesses addressed in the report.

### Mission officials' opinions

We interviewed and discussed IG reports and recommendations with 75 AID field officials in 12 countries. There were a number of positive comments, but most of the officials' opinions, when expressed in general terms, were negative. However, our review showed that when measured against their accomplishments most reports had been useful to mission management.

In Cairo, personnel said that the recommendations which have merit have been far outweighed by the collective effort required to respond to draft reports and recommendations. The personnel did not seem to take the audit function seriously. For example, the Mission Director had to direct them to take the response time for audit recommendations more seriously.

In Nairobi, the Director and program officers said that, in general, the auditors are not responsive to their needs and that many recommendations are trivial and cannot be acted upon because, by the time the audits are done, most of the decisions have already been made and it is too late to effect the changes needed.

In the Far East, similar views were voiced. One mission director said that audits were counter-productive when compared with the worth of the final report and the mission staff time expended on the audit. A population officer complained that audits took time from the mission staff that could have been spent on the program.

In Latin America the opinions also ranged from positive to negative, but were more often negative concerning audits and reports. To more objectively test the usefulness of the reports, we discussed report recommendations with the project or program officer responsible for the project. Because our fieldwork in Latin America was programed later than that for other overseas regions, we made this test in Latin America, using 10 reports issued during

fiscal years 1980 and 1981, covering projects in Panama, Costa Rica, Guatemala, Honduras, and Haiti. The reports contained a total of 54 recommendations. The managers responsible for the projects indicated that 43 recommendations were helpful, although 11 recommendations were received with reservation.

The results are based on responses from the actual project managers or other knowledgeable officials to our questions about the usefulness of the benefits derived from each audit. In some cases we also concluded the usefulness or lack of usefulness from documents related to the audits. Below are examples of both positive and negative views.

Haiti

--Report on Emergency Food Production: six recommendations were made and all six were well received. In addition, a finding was made that eventually saved the project about $250,000 in fertilizer cost.

--Report on Road Maintenance II: two recommendations were made but neither was of any value. The audit was not useful, according to the officials, because the mission already knew the problems.

--Report on Public Law 480 Title II Food Program: 10 recommendations were made and 8 were well received by the mission. The other two should have been directed to AID/Washington.

Costa Rica

--Report on a nutrition loan in fiscal year 1980: eight recommendations were made and eight were labeled helpful. Six were implemented and another one should have been directed to Washington.

When expressing a general opinion concerning auditors and audits, mission officials have negative views of a function which criticizes their projects. However, our review of the reports indicated that when dealing with the specific helpfulness of the recommendations, these negative views are not supported by the facts.

## AUDITORS' OPINIONS CONCERNING PROJECT MANAGERS

IG auditors told us they find that the same project implementation problems have existed for many years and have been consistently identified in the projects they audit because accountability for implementing AID field projects has not improved over the years.

They believe that program and project officers, for the most part, are rewarded for the number of project papers they produce and get approved and for the funds they obligate and spend, not for improvements in management and program accountability, accomplishment, and program results. As a result, projects are behind schedule or run into serious management problems and usually do not meet the optimistic goals of the project paper.

An example of this came out of our discussion with a mission director in the Far East who was particularly critical of the audit report of a road project in his country. He stated that if the draft audit report were published, he would write directly to the AID Inspector General and inform him that the report completely missed the mark and was totally useless. According to the mission director the report's negative judgments of the project and AID's performance were based on a grossly distorted understanding of the project and the cultural, technical, and political context within which AID operates in that country. However, he admitted that the original project design proved grossly inadequate. The project was far more difficult and time-consuming than had originally been anticipated.

## CONCLUSIONS

The Regional IGs and auditors need to pay more serious attention to the technical audit procedures in developing their reports. This is especially true of audit workpapers and supporting evidence and proper referencing to ensure accuracy of the facts in the report.

The recommendation followup procedure appears to be operating effectively. However, the IG should identify and consolidate the recurring management weaknesses, as indicated by his recurring open recommendations, and then plan and perform functional worldwide reviews to point out these weaknesses more convincingly to the AID Administrator so that he will make the necessary operating policy changes to improve AID's business management overseas.

Further, the Administrator should support the IG and express his concern to the AID operating staff to take the recommendations more seriously and be more concerned with the management of the project for which they are responsible.

## RECOMMENDATIONS

We recommend that the AID Inspector General:

--Instruct the Regional IGs to follow the Audit Policy Handbook and hold them accountable for doing so, especially in those areas of complete and proper workpaper support evidence and the referencing of facts in the report to ensure accuracy and supportability of the report.

--Identify and consolidate recurring management problems based on his open recommendation data and plan and perform functional worldwide audits aimed at changing management policy toward solving recurring problems.

We recommend also that the Administrator (1) support the IG when the IG identifies management problems in the implementation phase of projects, and (2) communicate to his mission directors and program and project managers his concerns that they effectively and efficiently manage their projects.

## AGENCY COMMENTS AND OUR ANALYSIS

The IG generally agreed with the findings and conclusions. He has taken action in the past to improve technical audit procedures. He repeatedly expressed concern about the overall quality of the audit work.

Training sessions on referencing have recently been held for all auditors posted in Washington, as well as in Cairo. Audit quality was the topic of discussion during the IG's recent visit to Cairo, Nairobi, and Karachi.

The IG said that there may be a need for functional audit reports on common problems, but his past experience showed that not much came of them. He said that this type of audit report receives no better response than project reports.

We believe if a common problem is identified and audited, the results can bring significant improvements in AID management. A recent good example is the common problems identified in the IG reports on the Sahel Development Program. This resulted in action taken by the African Bureau to institute programs which would improve financial management in the Sahelian institutions to ensure good use of donor resources. Thus, a common problem throughout the developing African countries, identified by the IG report, was addressed and triggered management actions to correct the problems.

# CHAPTER 5

# OFFICE OF

# INVESTIGATIONS AND INSPECTIONS

The Assistant Inspector General for Investigations and Inspections (AIG/II) has made progress in improving IG/II's overall effectiveness, despite restrictions in travel funds and difficulties in placing staff overseas. Nevertheless, IG/II has not managed its investigative staff resources to focus on areas in which AID program funds are concentrated and most vulnerable to fraud and misuse. Instead, it appears valuable investigator staff time is being used on many investigations for which recoveries are only marginal. We believe that, when the amount in question is not substantial, administrative action should be recommended rather than committing the additional staff resources required to pursue the lengthy process of building a case for prosecution.

The AIG/II at the time of our review had no system to track the use of staff resource hours so that they can be applied to the most needed areas. Such a system should be developed and incorporated into the monthly report process for reviewing the status of investigative cases. Without such a system the AIG/II cannot assure that large amounts of AID funds tied up in contracts, grants and loans are receiving sufficient investigative attention.

Subsequently the AIG/II said he was developing and installing such as system. We did not evaluate the results of this proposed system.

In addition, we found that management weaknesses uncovered during investigations are not always summarized and pointed out in closeout memorandums, nor are they always communicated to AID management.

## INVESTIGATIVE STAFF RESOURCES IN NEED OF BETTER MANAGEMENT

Much of AID's resources are tied up in contracting for services and materials for AID projects. Those administered by host-country officials as project managers are particularly vulnerable to graft and corruption. Given the prevailing climate of graft and corruption, and the lack of managerial and administrative skills in many developing countries, project resource management and project implementation are highly susceptible to fraud, and misuse and waste of U.S. funds. As AID continues to cut back on the number of its program officers overseas, the problem is likely to become even more serious, and warrant greater investigative attention.

The AIG/II is aware of the need to direct more investigative effort toward areas of greater importance and vulnerability and has taken some steps to pass on lessons learned to AID management. He recently issued an updated operating handbook for the II staff and recruited additional professionals.

The Inspector General, in his fiscal year 1980 Annual Report, stated that:

> "* * * The [IG/II] investigative effort was deliberately focused on cases having a major bearing on the integrity of AID resources; and * * * more complex, higher return cases * * *.
>
> "* * * IG/II investigations in FY 1980 had more substance and involved more significant issues than ever before."

However, our analysis of cases closed during fiscal year 1980 showed that many investigations dealt not with large contracts for materials and services, but with small amounts of AID resources. In most cases the allegations were unsubstantiated but staff had been assigned to the cases for a year or more. We realize that cases are often opened because of referrals which must be investigated regardless of their content in order to lay the allegations to rest. We also recognize that monetary recovery is not the only criterion for measuring the relative value of a case. Nevertheless, many of the smaller cases brought to the attention of IG/II can be handled administratively or through preliminary inquiries.

Of the 120 cases closed during fiscal year 1980, 47 were preliminary inquiries consisting of initial checks to determine whether the allegations warranted full investigations. Of the remaining 73 cases, which we considered substantive, we randomly selected, reviewed and analyzed 18 or 25 percent as shown on the following page.

| Case no. | Case type | Amount of money/ commodities involved | Length of investigation | Resolution/ action taken |
|---|---|---|---|---|
| 6553 | Forgery (award) | Intangible | 3 months | Confession of award recommendation forgery, Subject resigned. |
| 6563 | Diversion of commodities | 127 tons of wheat | 1 3/4 months | Allegation unsubstantiated. |
| 6462 | Fraud | $288 | 8 months | Justice declined prosecution. $288 disallowed. |
| 6406 | Conflict of interest | $300 | 15 months | Allegation unsubstantiated. |
| 6527 | Violation of APO/ Pouch Regulations | $135 | 8 months | Violation determined. Administrative action taken. |
| 6564 | Fraud | $7,100 | 4 months | Allegation unsubstantiated. |
| 6463 | Fraud | $49,250 | 10 months | No violation of law. However, an IG audit disclosed that $49,250 in AID grant funds was used for unauthpurposes. |
| 6443 | Bribery | Possible improper payments for shipping of 25 refrigerated vans | 15 months | Allegation unsubstantiated. |
| 6445 | Fraud | Intangible | 16 months | No violation of law. |
| 6235 | Special inquiry | 2 jeeps improperly rehabilitated | 14 months | Referred to Justice. |
| 6500 | Fraud | 6 jeeps improperly rehabilitated | 12 months | Referred to Justice. Consolidated with case 6235. |
| 6501 | Fraud | $270 | 12 months | Referred to Justice. Consolidated with case 6235. |
| 6502 | Fraud | Road grader improperly rehabilitated | 12 months | Referred to Justice. Consolidated with case 6235. |
| 6557 | Fraud | Possible improper payment to supplier | 9 months | Allegation unsubstantiated. |
| 6434 | Fraud | $218 | 14 months | Allegation unsubstantiated. $218 recovered |
| 6592 | Special inquiry | Allegation of U.S. contractor smuggling gold out of country | 2 months | Allegation unsubstantiated. |
| 6386 | Fraud | Possible unauthorized rebate of employee salaries to host government | 12 months | No violation of law. However $7,827 in unutilized AID grant funds were carried over to new subgrant in lieu of a cash advance. |
| 6325 | Special inquiry | Possible double billing by AID contractor | 19 months | Allegation unsubstantiated. |

The allegations were, for the most part, unsubstantiated and the total confirmed recoveries were marginal. The time difference from the date the cases were opened to the date closed, was a year or more in half the cases reviewed. However, this is not a good measure of staff resource utilization because cases may remain open but in fact be inactive for periods of time. We also found that weaknesses in the control and management of AID funds, uncovered in the course of the investigation, were not being summarized and discussed with AID management.

The AIG/II has established a monthly report process for reviewing the status of investigative cases. This process includes a summary of investigations, trips taken or planned, exit interviews, and workdays available during the reporting period. However, to effectively extract the full potential from his staff, the process must include:

--Reporting staff time spent on each case.

--Estimating probable case outcomes (recovered or unsubstantiated).

--Establishing criteria for determining whether to continue the investigation or redistribute staff time to cases which may have a higher probable pay-off.

## BETTER COMMUNICATION NEEDED OF "LESSONS LEARNED" TO AID OPERATING MANAGEMENT

In the fiscal year 1980 Annual Report, the IG states that:

"IG/II has routinely communicated investigative findings to Agency management. In 1980, IG/II began intensive efforts to (i) put these individual findings, as appropriate, into the context of broad lessons learned and (ii) brief top management accordingly."

Our analysis of the cases closed during fiscal year 1980 did not support this claim. For example, four cases we reviewed dealt with the same AID contractor and disclosed serious weaknesses in AID contracting procedures. The cases, nevertheless, were closed and referred to the Department of Justice's Fraud Unit without substantive reporting and consultations with the AID Contract Office to correct the situation that led to the irregularities.

In some instances, closeout memorandums did not include or recommend definitive action when such action was clearly warranted.

The memorandums simply stated the allegation, itemized the interviews and checks made, and ended with the statement "no violation of law" or "allegation unsubstantiated."

In one case involving the insufficient rehabilitation of excess property jeeps, the investigation revealed a lack of understanding by mission staff on what the rehabilitation standards were. However, the closeout memorandum indicated no action was taken to point out this problem to AID management, so that AID standards could be clarified and communicated to the field.

## CONCLUSIONS

Good management dictates that investigations and inspections focus on the areas of greatest importance and vulnerability. Recoveries can be made through the lengthy process of building a case for prosecution and subsequent litigation and conviction. However, when the amount in question is not substantial, administrative action can be recommended by the AIG/II and pursued by the Administrator and his designees.

At the time of our review, the AIG/II was not in a good position to know how effectively his staff resources were being used. The number of open cases, the basis of reporting, is a misleading statistic because of the wide range of staff time and resources spent on individual cases. The number of staff hours per case would be a better measure of staff use but at that time was unaccounted for.

We believe that lessons learned during the course of an investigation, which can be used to improve Agency management, should be communicated to operating managers. Our review of closed investigative cases showed that weaknesses in management controls uncovered during the investigations were not being routinely passed on to operating managers.

## RECOMMENDATIONS

We recommend that the Inspector General direct the Assistant Inspector General for Investigations and Inspections to:

--Record hours spent per case by each investigator for each biweekly pay period. These time charges should be accumulated for each case until it is closed. Periodic analysis can be made of time spent per case compared with the results of these cases in directing staff time toward areas of greater importance.

--Develop criteria to be used in the monthly review of open investigative cases for deciding whether

the expected recovery or outcome of each case is material enough to justify the use of additional staff resources for building a case for prosecution, or whether it should be closed by recommending administrative action.

--Communicate to AID management the conclusions and recommendations developed from case work that may be likely to improve AID management.

## AGENCY COMMENTS AND OUR ANALYSIS

The AIG/II agreed with our recommendation to install a professional staff time tracking system for investigative uses and told us he is installing such a system, but we did not evaluate his proposed system.

IG/II also pointed out that we had made our conclusions based on a review of investigative cases closed in fiscal year 1980, even though they have made significant improvements in focusing on the opening of cases of greater importance during fiscal years 1981 and 1982. However, when we began our review, IG/II restricted us to reviewing only closed investigative case files to protect the integrity of ongoing investigations. We complied with this restriction and made our selection of closed cases from the most recent completed fiscal year, which was fiscal year 1980. This was also the most recent year for which the AID/IG had issued an annual report from which we could make comparisons of the results of our audit work to stated accomplishments in the annual report.

IG/II claimed that additional recoveries had been made on the investigative cases listed on our chart than we gave them credit for. They also claimed that some "lessons learned" had been passed on to AID management in the cases we had reviewed, but had been recorded elsewhere, not in closed case files. We reviewed the additional material provided and, where justified, revised the chart and our report to include them.

## CHAPTER 6

## OFFICE OF SECURITY

The Assistant Inspector General for Security (AIG/SEC) has taken significant steps to improve security overseas despite scarce staff resources. However, security at some missions is still inadequate because (1) AID depends primarily on the Department of State Regional Security Officers (RSOs) for security services, but the RSOs do not always provide all the services Department of State has agreed to provide AID and (2) AID-procured security equipment is not controlled properly overseas and, as a result, at times not used as intended to protect AID personnel and property. Consequently, some AID missions are still vulnerable to terrorism, and some AID employees are not receiving acceptable levels of security in their residences.

Good security management requires that services purchased and paid for be provided and the security equipment procured to protect mission personnel be installed and in its proper place to perform the intended security functions. This is sometimes not the case at the AID overseas locations we reviewed and visited.

### IG/SEC RESPONSIBILITIES

The Office of Security (IG/SEC) became part of the Office of the Auditor General (now the Inspector General) on June 16, 1969. AIG/SEC is the IG's principal advisor for the development and implementation of comprehensive security programs. The AIG/SEC is responsible for (1) certifying the security, integrity, and loyalty of all U.S. citizens employed by AID and the integrity and reliability of indigenous personnel hired locally; (2) appropriate screening of contractors and their employees; and (3) maintaining a program of physical and documentary security both domestically and abroad.

To effectively review compliance with security procedures abroad, IG/SEC has found it necessary to conduct periodic inspections of AID's facilities abroad. However, due to a shortage of personnel, IG/SEC, prior to January 1981, had only two people to make periodic security inspections of over 70 AID missions. IG/SEC would like to visit each post at least once every 18 months but has not been able to do so. Some missions wait years for an IG/SEC security review, and mission staff come and go without benefiting from such an oversight review. During 1981 the IG/SEC added two more people to perform this function (borrowing them from another division in IG/SEC), but it remains to be seen whether coverage will be adequate.

IG/SEC was provided with $2 million in a fiscal year 1980 supplemental appropriations to upgrade its programs for combating

terrorism at AID missions overseas. However, no additional positions were authorized to administer this program. With only four professional security officers, two radio communications specialists, a part-time security assistant, and one clerical employee responsible for all of AID's overseas physical security, IG/SEC has had to support a substantial increase in overseas security funding in recent years. IG/SEC, therefore, relies to a great extent on State's Regional Security Officers, as specified by the State/AID agreement, to provide technical and advisory security services for AID missions overseas. At present, however, some key provisions of the State/AID agreement are not always being fulfilled and IG/SEC does not have the assurance that security enhancement materials sent abroad are, in all cases, being installed and effectively used at the missions.

## PROVISIONS OF STATE/AID AGREEMENT NOT ALWAYS FULFILLED

Under the provisions of the overseas security agreement, the Department of State provides certain specified security services for AID missions overseas. (See app. II.) Most of these services are being provided and mission management is generally satisfied with the responsiveness of the RSOs. Some of these services, however, such as training AID security personnel, surveying AID buildings for proper security, testing evacuation plans, and implementing IG/SEC security survey recommendations, were not always being provided to the AID missions we visited.

### Inadequate security education for AID security officers

Out of 16 AID missions visited, 7 missions (Kenya, Tanzania, Tunisia, the Philippines, Panama, Honduras and Guatemala) had security officers who had received no formal training in security. This training did not take place for several reasons. AID mission security officers are generally the mission executive officer or general services officer who takes on security in addition to his other administrative duties. At missions in Kenya, Tanzania, and Tunisia, the RSOs indicated they had received no guidance from State or AID Security offices defining their AID-related security responsibilities. Also, according to the RSOs the mission directors at these posts gave security and security training a relatively low priority. In the Philippines, the RSO's heavy schedule of embassy-related duties hindered him from providing such training. Despite the fact that AID security responsibility is discussed in the AID Handbook, AID security officers at the missions in Panama, Honduras, and Guatemala said their security-related responsibilities are not adequately defined. The RSO responsible for Panama and Honduras indicated his AID-related security responsibilities have not been made clear to him. For these reasons, no action was being taken to train the persons designated as AID security officers in their security-related responsibilities.

For example, the AID security officer in Nairobi said he should receive some training in security measures and planning, so that he can train other people in security matters. State's Regional Security Supervisor admitted that the AID security officers in that region should have security training.

In Dar Es Salaam, Tanzania, the AID security officer, post security officer and RSO saw a need for security training for the AID security officer, but he had not received it. This was partly due to the many other duties the AID security officer had as Executive Officer in addition to security. As a result, some of his decisions regarding residential security have not come up to the RSO's standards and have provided less than adequate security at this high-threat post.

In Manila the Regional Security Supervisor told us the RSO does not have time to train the AID security officer and, in his opinion, there is no need because professional advice is nearby. Although he admitted that the RSO is very busy with requests from the Ambassador, he stated there is no benefit in getting the AID security officer to do more and that he would simply be bothering the RSO in learning his security duties. However, the AID security officer does not attend the RSO's weekly security meeting for Embassy staff. He has never asked to attend nor has he been invited. The RSO, for his part, had attended only one AID weekly mission staff meeting.

Building security survey long overdue

The last building security survey of the Dar Es Salaam mission was made in 1977; a new survey is long overdue. The reason for this delay, according to the RSO, is that U.S./AID Tanzania has been planning to move for a long time, and State wanted to wait until after the move before performing a survey and implementing solutions to security deficiencies. Now it appears that AID will be getting more space in the same building, in addition to building another structure.

We also found that the RSO security survey of the AID mission building in Manila was overdue. The latest survey had been conducted in March 1978. The Regional Security Supervisor recognized the need for one and has since recommended that the RSO start it. The security surveys are to be conducted every 18 months.

Evacuation plans not tested

In some instances we found evacuation plans were not tested nor communicated to mission staff. For example, the AID security officer in Honduras said the (1) mission's evacuation plan had become outdated because most of the people listed to implement it were no longer assigned to the mission and (2) he was unaware if the mission employees had ever been briefed on the plan. He acknowledged that after updating the plan it needed to be tested. He added that the mission has no complete residential security program, but should probably have one because of increasing terrorist activities there.

In Haiti, the AID security officer indicated he was very concerned and dissatisfied with the RSO for not providing a proper evacuation plan. The existing plan does not specify where the people should go in case of an evacuation, nor has it been communicated to the staff.

## ADMINISTRATOR SHOULD DIRECT MISSIONS TO REGARD SECURITY SERIOUSLY

The Administrator needs to emphasize the seriousness of post security to mission directors. At some missions (1) security was considered a low priority, (2) security information needed better definition, and (3) communication and security equipment purchased for improving mission security was not properly installed. Consequently, mission security is compromised and AID personnel are exposed to unnecessary risks.

### Security low priority

In Kenya, Tanzania, and Tunisia, the RSOs indicated that unless there is an immediate identifiable problem, security is generally given a low priority by AID mission management. Our review showed this has been the case in the other geographical areas as well. For example, in Kenya, an AID/SEC building security survey of the mission completed in March 1980 included 19 recommendations to improve security. By March 1981, a year later, only nine of those recommendations had been complied with.

At the mission in Dar Es Salaam, Tanzania, the RSO informed us that:

> "* * *currently very few security precautions are taken at the Mission. The building has free public access. They have no way to destroy classified material in an emergency. All they have is a burn barrel in the strong room and if they used it, the building would go up in flames."

This post, including the AID mission, was upgraded to a high-security risk category by State's Office of Security in September 1980.

The mission in Panama has had the benefit of numerous security surveys by State, AID, Office of Security, and the resident RSO. These surveys have pointed out the vulnerability of the mission to student demonstrations and riots from the state university next door and have recommended limited access to the upper floors of the mission. For years mission management took no action; however, subsequent to our visit there, the present mission management had taken action to control access to the upper floors.

Security responsibilities need better definition and dissemination

The mission security officer in Manila said current security guidelines are too vague. With no formal training for his role as security officer, he is unsure who does what in an emergency. He added that the post security system has never been tested.

In Tunisia, the RSO has an International Communicatio.. Agency booklet which spells out minimum security standards which he uses as a guide when surveying their buildings. He said it would be helpful if AID would also do this--currently he has no guidance from State or AID on AID security. Under the current system, it is up to the AID mission director to set security priorities and decide what security measures will be implemented.

In Guatemala, the Regional Security Officer acknowledged that State and AID have a joint agreement on security which specifies the services to be provided to AID. However, he did not have a copy of the agreement, but indicated one could be obtained in Washington.

Limited assurance that security equipment is installed

In fiscal year 1980, IG/SEC received a $1 million allocation of supplemental funds to provide for physical security devices and related ancillary equipment for its missions and personnel in those areas of the world where the threat level of terrorism is high. In 1981, another special allocation of $1 million was provided to install and monitor the equipment purchased with the 1980 funds. Much of the equipment has been procured and sent to the missions, but IG/SEC Washington has only limited assurance that the equipment has been installed or used as planned. We found instances in which such equipment remained in the AID mission warehouse, while AID mission personnel were victimized and subjected to other threats to their well-being and security.

The AIG/SEC is concerned because, although needed security enhancement materials and communications gear are promptly shipped to AID missions overseas when requested, they sometimes sit in AID warehouses for extended periods of time or are sidetracked and used by the Department of State before they arrive at their AID destinations. A recent case involved a female AID officer who was raped in her apartment. At the time of the incident, emergency alarm equipment for AID residences had already been sitting in the AID warehouse for 16 months.

In Cairo, 25 security radios were delivered to the AID Mission in November 1978 and sat in the warehouse unused and unopened for 6 months, until the AIG/SEC Communications Expert visited there in May 1979. He advised that they be integrated into the residential warden security network which covers both State and AID employees. They are presently being used for this purpose. In addition, the AID security officer and Deputy RSO informed us that five television cameras and five monitors specifically bought and paid for by AID IG/SEC had been "misplaced" by the State Department in Athens. The security officer said: "Let's just say they were 'borrowed' from AID stock by Athens. AID has the serial numbers and Athens is looking for them. AID wants five, any five."

The RSO in Nairobi made a residential security survey in June 1979 and recommended that household alarms be installed. AID procured and received 56 household alarms, but they were left in the AID/Nairobi warehouse for at least a year unused. AID/Nairobi had told the staff it had no money to install them and was, therefore, charging AID employees $100 each to have them installed. At the time of our review, only four employees had them installed. However, the Regional Security Officer said the real reason was that the Mission Director gave security a low priority. In fact, he said, IG/SEC Washington gives monetary support to the mission and is more responsive than State Security, but the mission must first ask for such assistance and it had not done so. This problem was subsequently corrected and the alarms installed.

## CONCLUSIONS

Good management requires that interagency agreements be fully understood by all parties concerned and implemented according to the terms of the agreement. We found numerous instances in which the overseas security agreement was not fully understood and its provisions not carried out. The Administrator needs to ensure that the provisions of the agreement are well understood and implemented.

The Office of Security has only limited assurance that all materials sent to the missions are installed and used as planned. Security does not now have a complete country-by-country inventory of equipment sent to each mission, but is in the process of developing such an inventory, and putting it on a recently procured word-processor. Currently, the local warehouse security equipment and equipment sent to the AID Mission in Nairobi have been incorporated in the new system. It is important that the Office of Security be assured on a periodic basis that materials sent are installed and survey recommendations implemented.

## RECOMMENDATION

The Administrator, to ensure that AID security policy is followed and to reemphasize its importance, should issue AID security policy directives to the IG and to the mission directors instructing that:

--All AID security officers take their role more seriously and be aware of their responsibilities and ensure that the provisions of the State-AID Agreement are being fulfilled.

--Security risk categories assigned to each mission by the State Department are being supported by the AID mission director.

--The professional advice of AID's Office of Security and the RSO's is heeded and recommended security precautions are taken and enforced by the AID mission directors.

--Security enhancement equipment delivered to AID missions is installed and used. For this purpose, mission management should report to the Office of Security on a regular basis on the status of security equipment delivered and open security survey recommendations.

## AGENCY COMMENTS AND OUR ANALYSIS

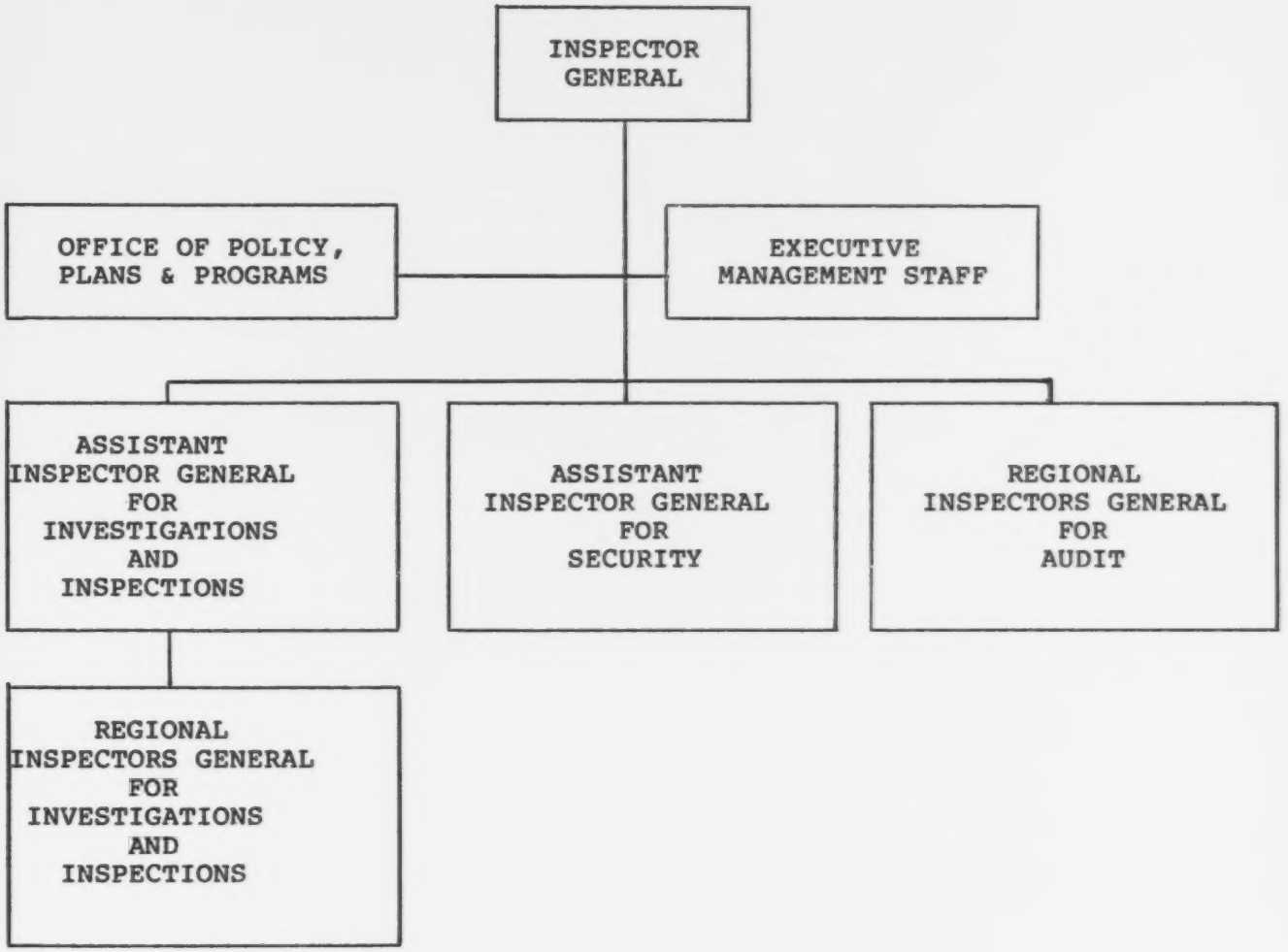
The AIG/SEC stated that his office had recently developed an agressive physical security program, which includes a hostage survival training program and an armored car program. The Department of State Office of Security acknowledged that AID mission security officers do not have a formal security education program. However, in their opinion, this is due primarily to difficulty on the part of AID security officers to fit this into their schedule, either before departing for their post overseas, or after they arrive at the assigned post. The Department of State's Office of

Security said they are looking into the possibility of initiating a Foreign Service Institute post security officer course.

We agree that IG/SEC's physical security improvement program overseas has accomplished much in improved security awareness and improved security precautions. However, we are pointing out in this report deficiencies that need AID management attention to further strengthen the program. The AIG/SEC agreed with our conclusions and recommendations.

# INSPECTOR GENERAL

## ORGANIZATION CHART


INSPECTOR GENERAL
OFFICE OF POLICY, PLANS & PROGRAMS
EXECUTIVE MANAGEMENT STAFF
ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS AND INSPECTIONS
ASSISTANT INSPECTOR GENERAL FOR SECURITY
REGIONAL INSPECTORS GENERAL FOR AUDIT
REGIONAL INSPECTORS GENERAL FOR INVESTIGATIONS AND INSPECTIONS

THE DEPARTMENT OF STATE - AID OVERSEAS SECURITY AGREEMENT

The undersigned agree that the Department of State, through its Office of Security (hereinafter referred to as SY), on a reimbursable basis, shall perform certain foreign security functions for the Agency for International Development (hereinafter referred to as AID) in the manner and to the extent hereinafter set forth:

1. The provisions of this Agreement supersede all previous security agreements or arrangements of a formal or informal nature between the Department of State and ECA, MSA, FOA, ICA, and AID. Reimbursement for services performed shall be adjusted by the Budget Officers of the two agencies involved according to the security responsibilities being undertaken by the Department of State.

2. SY shall provide physical, technical, and procedural security services and the investigation and certification of alien applicants or alien personnel in the overseas posts of the U.S. AID. In additional, SY shall conduct such investigation of U.S. AID, U.S. citizen employees serving overseas as may be requested by the U.S. AID Director or by AID's Office of Security (A/SEC) except as noted and provided by Section 7 of this Agreement. Such investigations shall be conducted pursuant to Executive Order 10450. In addition, SY shall conduct investigations on proposed alien spouse of a U.S. AID employee. No investigation of U.S. AID citizen employee shall be initiated and undertaken by the Regional Security Office without communicating with AID/W Security unless the emergency of the situation requires otherwise. In such emergency situations the Regional Security Officer shall advise AID/W Security of the pending inquiry at the earliest possible time. Normally, in the event SY should come into possession of reports or allegations bearing on the security of U.S. AID citizem employees, the Regional Security Officer shall immediately communicate this information to AID/W Security for direction and guidance. No U.S. AID citizen employee under investigation by the Regional Security Officer shall be confronted in an interview situation without approval and instructions from AID/W Security. Any time the Regional Security Officer conducts an overt investigation concerning a U.S. AID citizen employee, a fully detailed report shall be forwarded to AID/W Security. Urgent matters shall be handled by telegram.

3. The U.S. AID Unit Security Officer shall be thoroughly trained and supervised in security matters by the appropriate Regional Security Officer or Post Security Officer.

4. It shall be the responsibility of the respective Regional Security Officer to conduct complete physical, personnel, and procedural surveys and arrange for technical security inspections by appropriate technical security personnel of U.S. AID premises and facilities whenever such surveys are conducted at U.S. diplomatic

and consular posts in the locality. It shall be through these comprehensive surveys and technical inspections that the appropriate degree of physical, technical, personnel, and procedural security shall be established for U.S. AID installations. In conducting surveys, Regional Security Officers shall be concerned primarily with the protection of classified information and operations. Regional Security Officers, however, will advise on the most efficient and effective manner of protecting property and equipment when so requested or when the need for such is apparent. The Regional Security Officer shall discuss with the Unit Security Officer any weaknesses or deficiencies noted in the course of such surveys. Copies of the results of the survey shall be forwarded to the Office of Security, AID/W.

5. The U.S. AID Unit Security Officer, when requested by the appropriate Regional Security Officer or Post Security Officer, shall conduct investigations of alien applicants for U.S. AID or for U.S. AID contractors under the guidance and direction of one of the above and in accordance with the standards required by the Regional Security Officer. Certification for employment, a requirement for appointment, shall be issued by the Regional Security Officer. The closest cooperation shall be maintained between the Department of State Post and Regional Security Officers and the Unit Security Officer of U.S. AID in order that local investigations may be accomplished in the most effective method and processed without undue delay.

6. Regional Security Officers, with prior notification to U.S. AID, and with or without the assistance of the Unit Security Officer, shall investigate security complaints against alien employees or reports having a bearing on the security of such personnel. Detailed reports of such investigations shall be referred to the Office of Security, AID/W, through SY, if in the opinion of the Regional Security Officer the original allegations have been substantiated.

7. SY will not undertake any investigations of U.S. AID American (including contractor) or local personnel in which there is any question of fraud, misfeasance or malfeasance in office or other possible violation of Title 18, U.S.C., unless so requested by the AID Inspections and Investigations Staff, which has sole responsibility for such investigations.

8. The Regional Security Officers shall establish U.S. AID restricted areas where appropriate and supervise controls over the distribution and storage of classified materials.

9. Regional Security Officers shall include U.S. AID personnel at all training and indoctrination lectures and dissemination of security materials.

10. The Regional Security Officer concerned shall conduct the appropriate investigation of all incidents occurring on U.S. AID premises involving unauthorized forceful entries, physical penetration, and similar physical security matters.

11. Regional Security Officers shall establish such guard and watchman procedures as shall be necessary to carry out the patrolling or checking of U.S. AID offices. Marine guard personnel shall be assigned to U.S. AID office when the necessary arrangements for such have been made through the Office of Security, Department of State. Considerations involved in such assignments include the establishment of positions by the Department of State, support of positions by AID and the availability of personnel from the Marine Corps.

12. Should a conflict arise between U.S. AID officials abroad and the Regional Security personnel concerning substance or interpretation of security matters, the issues in question shall be forwarded to the Office of Security, Department of State, and the Office of Security, AID/W, for the appropriate determination.

13. Regional Security Officers shall assist U.S. AID Directors in matters concerning investigation of alien contractors and alien contractor personnel.

Inasmuch as the responsibility for enforcing compliance with security procedures will remain in AID/W it may be necessary for A/SEC to conduct periodic inspection of its facilities abroad. Upon such occasion, Regional Security Officers shall make available to the representatives of AID such locally held files and information pertaining to AID security as may be required.

For the Administrator:

(SIGNED)
H. Rex Lee
Assistant Administrator
for Administation
Agency for International
Development

Aug. 19, 1968
Date

For the Secretary:

(SIGNED)
Idar Rimestad
Deputy Under Secretary
for Administration
Department of State

Aug. 26, 1968
Date